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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for Development of
Distribution Resources Plans Pursuant to Public
Utilities Code Section 769.

(U39E)

**Rulemaking 14-08-013
(Filed August 14, 2014)**

**REPLY COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
TO RESPONSES TO QUESTIONS**

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DATED: October 6, 2014

Attorney for
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I. INTRODUCTION

Pursuant to the preliminary schedule in Rulemaking (R.) 14-08-013, Pacific Gas and Electric Company ("PG&E") provides the following reply comments to responses to the questions presented in Section 3.1 of the Rulemaking.

II. IN ORDER TO MEET THE PROCEDURAL DEADLINES IN THE PROCEEDING, ISSUES UNRELATED TO THE AB 327 CRITERIA FOR DISTRIBUTED RESOURCES PLANS OR ADDRESSED IN OTHER PROCEEDINGS SHOULD BE EXCLUDED

A number of parties in their opening comments suggested that the Rulemaking consider various issues unrelated to the statutory criteria for evaluating distributed resources plans, such as incentives for bioenergy projects; access to confidential customer-specific energy data; mandates for procurement of various types of distributed energy resources outside of the utilities' long-term procurement plans; the merits of various grid-related software products; different options for ownership or operation of electric distribution facilities in the future; and other issues.¹ Other parties listed issues that already are being addressed or have been addressed in other proceedings, including safety and reliability standards for interconnecting distributed energy resources to the grid.²

As noted in the Commission's recent workshop on distributed resources plans, the schedule for this phase of the proceeding is extremely expedited, in light of the July 2015 deadline for filing of utility plans. Given this expedited schedule, PG&E recommends that the Commission exclude these extraneous and unrelated issues and topics from this phase of the proceeding, without prejudice to parties raising the issues in other appropriate proceedings as identified by the Commission. Public Utilities Code Section 769 identifies the scope and criteria for distributed resources plans, and the Commission can apply Section 769 as part of the

¹ See, e.g., Comments of NRG Energy; Comments of Solar Energy Industries Association; Bioenergy Association of California/California Association of Sanitation Agencies/Waste Management; California Energy Storage Alliance; Comments of Mission:data; Comments of Qado Energy; Comments of Nest Labs; Comments of Tendril; Comments of EnergyHug/Alarm.com.

² See, e.g., Comments of Interstate Renewable Energy Council; Comments of Environmental Defense Fund; Comments of EnerVault/Imergy Power/Primus Power/UniEnergy Tech/ZBB Energy.

guidance it provides for the utility plans to be filed by July 2015. Other issues unnecessary to resolve by early 2015 in this phase of the proceeding can and should be excluded, in order to allow the Commission and stakeholders to focus on the essential issues.

III. PG&E AGREES WITH PARTIES REGARDING THE NEED FOR DISTRIBUTED RESOURCES PLANS TO EVALUATE COST-EFFECTIVENESS FROM THE PERSPECTIVE OF ALL UTILITY CUSTOMERS

The Office of Ratepayer Advocates (“ORA”) and The Utility Reform Network (“TURN”) both noted that Public Utilities Code Section 769 requires the distributed resources plans to evaluate optimal locations for distributed energy resources from the perspective of costs and benefits to all utility customers, not just the benefits of additional utility investments to support owners or operators of distributed energy resources.³ As discussed at the public workshop by the utilities, evaluating the costs and benefits of distributed energy resources must include an evaluation of the “dependability” and “reliability” of such resources in avoiding investments in distribution or local generation capacity that serves all utility customers. PG&E does not agree with Solar City’s comments that individual utility customer “preferences” for location of distributed resources are a benefit to utility customers generally, because the costs of additional distribution capacity from an “un-dependable” customer-preferred resource are not avoided by utility customers generally.⁴ Instead, utility distribution planning must include multiple scenarios of distributed energy resource locations, so that customer preferences for optimal and sub-optimal locations are taken into account. As San Diego Gas & Electricity (“SDG&E”) pointed out in its comments, there is “right location,” a “right time,” and a “right size” for distributed energy resources that can avoid distribution infrastructure investment, and a key criterion is the reliability of those resources.⁵

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³ Comments of ORA, pp 2- 3; Comments of TURN, pp. 1- 2.

⁴ Comments of Solar City, p. 6.

⁵ Comments of SDG&E, p. 7.

PG&E agrees with the *caveat* by ORA and TURN, and intends to structure its distributed resources plan using cost-effectiveness criteria from the perspective of all utility customers, not just owners or operators of distributed energy resources. PG&E will apply its distribution safety and reliability criteria in the same way.

IV. PG&E AGREES WITH NRDC THAT DISTRIBUTED RESOURCE PLANS SHOULD INCLUDED AN EVALUATION OF THE AVOIDED COSTS AND ADDITIONAL BENEFITS OF ALL DISTRIBUTED ENERGY AND OTHER DEMAND-SIDE RESOURCES

Public Utilities Code Section 769(b)(1) requires distribution resources plans to “evaluate locational benefits and costs of distributed resources,” including “avoided or increased investments in distribution infrastructure” resulting from distributed resources. Consistent with this “avoided cost” criteria, the Natural Resources Defense Council (“NRDC”) recommends that distribution resources plans evaluate *all* distributed resources, including energy efficiency, energy storage, electric vehicles, and demand response technologies, in addition to renewable distributed resources.⁶ PG&E agrees with NRDC’s recommendation. The distribution resources plans in this proceeding should and must include an objective, consistent avoided cost methodology that evaluates the avoided costs and benefits of all distributed resources against the avoided costs and benefits of distribution infrastructure investments. Public Utilities Code Section 769 requires this comprehensive evaluation in order to ensure that the distribution resources plans “minimize overall system costs and maximize ratepayer benefit from investments in distributed resources.” (Public Utilities Code Section 769(c)).

V. PG&E AGREES WITH THE CAISO THAT THE SAFETY AND RELIABILITY ASPECTS OF DISTRIBUTED RESOURCE PLANS SHOULD BE CAREFULLY COORDINATED WITH THE CAISO’S BULK POWER RELIABILITY AND SAFETY RESPONSIBILITIES

The California Independent System Operator (“CAISO”) provided comments identifying key reliability and operational issues associated with distributed energy resources.⁷ According

⁶ Comments of NRDC, p. 1.

⁷ Comments of CAISO, pp. 3- 5.

to the CAISO, these issues overlap with the CAISO's overall responsibility for managing the State's transmission grid safely and reliably in accordance with consensus bulk power operating standards and criteria.⁸

PG&E agrees with the CAISO, and recommends that the scope of this Rulemaking expressly take into account the need for distributed resources plans to take into account and comply with the overall bulk power and electric transmission grid reliability and safety standards and operating procedures administered by the CAISO and other regional grid operators.

VI. CONCLUSION

At this early stage of the proceeding, PG&E's reply comments are necessarily preliminary and subject to further development and discussion with other stakeholders and Commission staff as the proceeding moves forward. PG&E appreciates the input provided by Commissioner Picker, interested parties and Commission staff at the recent public workshop, and will incorporate that input as well as additional comments and input into preparation of its distributed resources plan. However, PG&E reiterates the importance of the proceeding moving forward expeditiously, so that any Commission guidance – ideally from the full Commission in a consensus interim decision – is provided in a timely manner, given the July 1, 2015 statutory deadline for the utilities to submit their distributed resources plans in compliance with Public Utilities Code Section 769. Issues that may not be central to the required plans can be

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⁸ *Id.*, pp. 1-2.

considered in other appropriate proceedings, or discussed in the next phase of the proceeding after the utility plans are filed with the Commission. To this end, PG&E intends to actively support the process and schedule provided by the Rulemaking.

Respectfully Submitted,

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